

Danske Commodities increases equity by 3.5 billion euro to provide liquidity in volatile energy market

Aarhus, 21 December 2022. The Danish energy trader Danske Commodities announced today that it has increased its equity with a capital injection of 3.5 billion euro from its owners, Equinor. High energy prices have increased the need for financial solidity and by maintaining a strong financial position, Danske Commodities is able to provide needed liquidity to a volatile energy market.

Since becoming part of global energy major Equinor in 2019, Danske Commodities has expanded its business and strengthened its financial position. Financial robustness is now very important as high energy prices and extreme price volatility have put an unprecedented pressure on the liquidity of European energy trading companies.

“When prices go up, so does the size of margin calls on the energy exchanges. Trading companies like Danske Commodities must post collateral to cover potential price fluctuations in the period from when a trade is struck to when the energy is actually delivered. In other words, significant financial strength is needed to ensure continued cross-border trading in Europe,” says Jakob Sørensen, Chief Financial Officer at Danske Commodities.

A shortage of energy

The high energy prices are mainly caused by an energy supply shortage as there has not been enough energy accessible in Europe to match demand.

“When supply does not match demand, and energy prices go up, we need an efficient market to cushion the price volatility. In an efficient market, you need a buyer and a seller, able to post the collateral needed to execute the trades that move energy from areas with surplus production to areas with supply shortages. That is why liquidity is a prerequisite for the cross-border trading that is needed to ensure security of supply and curtail the most extreme price shocks,” Jakob Sørensen explains.

At a time when European energy markets are experiencing massive pressure on supply, efficient cross-border trading is key to making the most of available energy resources. This is an important part of Equinor’s decision to increase Danske Commodities’ equity.

“We are very pleased with the performance of Danske Commodities and the important role that they play in contributing to functioning energy markets. Their financial results remain strong, and we are glad to make this capital injection to further strengthen Danske Commodities’ position in a market environment which requires a high degree of solidity and liquidity to function as well as to prepare for continued growth”, says Helge Haugane, Equinor’s SVP Gas & Power and Chair of the Board in Danske Commodities.

The European Union Agency for the Cooperation of Energy Regulators (ACER) states in a report from April 2022 that cross-border trade delivered 34 billion euro of benefit to society in 2021 by ensuring an efficient energy system, preventing blackouts and smoothing price volatility¹.

Market participants like Danske Commodities provide market access for renewables and new technologies

Danske Commodities is an energy trader, active in Europe’s wholesale markets. As a market participant in wholesale energy markets, Danske Commodities connects energy producers and distribution companies through trade and energy market services, such as optimisation, balancing and risk management. This means that Danske Commodities does not supply energy to private consumers and the company does not own energy production assets.

¹ The European Union Agency for the Cooperation of Energy Regulators (2022). *ACER’s Final Assessment of the Wholesale Electricity Market Design*.

"In addition to being an active trading participant in the wholesale energy markets, Danske Commodities is a balance responsible party for renewable energy-producing assets like wind farms and solar parks, and new flexible technologies like batteries. This means we provide market access to energy resources needed to secure supply and balance both short and long term," Jakob Sørensen ends.

Danske Commodities is active in 40 countries and on a yearly basis, the company trades an amount of energy corresponding to ten times the total energy consumption in Denmark.

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ABOUT DANSKE COMMODITIES

Danske Commodities is an energy trading company that specialises in short-term power and gas trading and offers balancing, optimisation and hedging services to energy producers and suppliers. Every day, the company completes more than 15,000 trades across 40 countries, constantly moving energy from where there is more than needed to where it is needed most. Danske Commodities is a wholly-owned subsidiary of Norwegian energy company Equinor, operating under its own name and brand.